

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
LOCAL OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
Cash Receipts	
Preparation of Mail Logs	2-3
Control of Returned Local Office Checks	3
Cash Disbursements	
Voiding Director's Signature on Check Signing Errors	3-4
Approving Void Checks	4
General Ledger	
Preparation of Journal Vouchers	4-5
Modified Accrual Basis Balance Sheet	
Incorrect Accounts Receivable Due From State for State Administration	5
Safe and Controlled Documents	
Inventory Control of Gasoline and Telephone Cards	5-6
State Emergency Relief	
Lack of Authorizing Signatures	6
Direct Support Services	7
Client Processing	7
CIS Input/Output Controls	
Inconsistent Client Information System (CIS) Status Codes	7-8
ASSIST Enrollment Profile/Security Agreements	8
Incompatible ASSIST Enrollment Profiles	9
Review of the ASSIST Security Violation Report (VB9163)	9

Reconciliation of the ASSIST Security Officer's Log Report (VB9173)	10
IRS Information Security	10
Payroll and Timekeeping	10
Procurement Card	10
Contracts	10
State Vehicles	10

INTRODUCTION

The Office of Internal Audit performed an audit of Osceola County FIA for the period October 1, 2000 through February 27, 2002. The objective of our audit was to determine if internal controls in place at the local offices provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Osceola County FIA had 26 full time equated positions (FTE's) at the time of our review. Osceola County FIA provided assistance to an average 1,654 recipients per month in FY 2000, with total assistance payments of \$1,902,584 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Osceola County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

General Ledger

Modified Accrual Basis Balance Sheet

Safe and Controlled Documents

State Emergency Relief (SER)

Direct Support Services

Client Processing

CIS/ASSIST

IRS Information Security

Payroll and Timekeeping

Procurement Card

Contracting

State Vehicles

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Osceola County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. However, Client Information System and ASSIST system access controls need improvement.

LOCAL OFFICE RESPONSE

The management of Osceola County FIA has reviewed all findings and recommendations included in our report. They indicated in a memorandum dated May 14, 2002 that they are in general agreement with our report.

Cash Receipts

Preparation of Mail Logs

1. Osceola County FIA did not follow established procedures when recording mail receipts on the mail logs. Returned local office checks and EBT cards were recorded on the same mail logs with receipts that were to be deposited in the Social Welfare Fund.

Accounting Manual Item 431 EBT, page 1 requires the completion of three separate lists. One list is for all Department of Treasury warrants sent or returned to the local office for disposition, including locally issued checks returned to the local office. The second list is for EBT cards received at the local office, and the third list is for all other funds received for deposit in the Social Welfare Fund, Child Care Fund or Trust and Agency Fund.

WE RECOMMEND Osceola County FIA prepare separate mail lists for warrants and returned local office checks, EBT cards, and funds received for deposit as required by Accounting Manual Item 431 EBT.

Control of Returned Local Office Checks

2. Osceola County FIA did not provide for the adequate control of local office checks returned to the local office. The fiscal clerk documented the disposition of returned checks; however, the returned checks were not recorded on the Record and Disposition of Checks/Warrants (FIA-61).

Accounting Manual Item 431 EBT, page 1, requires locally issued checks returned to the local office to be recorded on a FIA-61.

WE RECOMMEND Osceola County FIA record local office checks returned to the local office on the Record and Disposition of Checks/Warrants (FIA-61) as required by Accounting Manual Item 431 EBT, page 1.

Cash Disbursements

Voiding Director's Signature on Check Signing Errors

3. Osceola County FIA did not void the Director's signature on blank sheets of paper that were imprinted with the Director's signature. From October 2000 through December 2001 there were fourteen instances when blank sheets of paper were inadvertently processed during check signing that had the Director's signature imprinted. The blank sheets were filed with the Sign-O-Meter Record to document the error, however the Director's signature was not invalidated allowing for possible misuse. A void legend should be placed through the signature to prevent any misuse.

WE RECOMMEND a void legend be placed through the Director's signature.

Approving Void Checks

4. Osceola County FIA did not control the voiding of checks. Six stale dated checks were voided on LASR but Management did not approve the voiding of the checks.

Accounting Manual Item 405, page 6, requires fiscal staff to obtain written approval on a photocopy of the Outstanding Checklist (FIA3679) to void checks on LASR. The approved Outstanding Checklist (FIA3679) should be filed with the bank reconciliation.

WE RECOMMEND Osceola County FIA Management staff approve all checks that are to be voided.

General Ledger

Preparation of Journal Vouchers

5. Osceola County FIA did not complete the required forms when preparing Journal Voucher entries. Distribution accounts were recorded on the source documents. The Journal Voucher form (FIA3673) was not used.

Even though Osceola County has independent staff review the JV edit listing and approve the batch cover sheets, control over the journal voucher process is improved through use of the Journal Voucher form (FIA3673) by requiring staff to approve each individual journal entry. Preparation of the Journal Voucher form (FIA3673) is required by Accounting Manual 450.

WE RECOMMEND Osceola County FIA use the Journal Voucher form (FIA3673) to prepare journal voucher entries as required by Accounting Manual Item 450.

Modified Accrual Basis Balance Sheet

Incorrect Accounts Receivable Due From State for State Administration

6. Osceola County FIA did not report the correct balance for Accounts Receivable Due From State for State Administration on the Modified Accrual Basis Balance Sheet. At January 31, 2002 the balance was reported as \$1,117.79. Pending account receivable from the State at January 31, 2002 totaled \$2,214.95, a difference of \$1,097.16.

By not reporting the correct balance in the Accounts Receivable Due From State the County's equity in the Social Welfare Fund is stated incorrectly and in this instance understated by \$1,0967.16 at January 31, 2002. Osceola County FIA, with assistance from the Zone Two office, needs to determine the correct balance and accounts to be adjusted for a selected point in time.

WE RECOMMEND Osceola County FIA, with, assistance from the Zone Two office, review the accounting records and adjust the Accounts Receivable Due From State to reflect the correct balance.

Safe and Controlled Documents

Inventory Control of Gasoline and Telephone Cards

7. Osceola County FIA did not establish adequate inventory control of gasoline and telephone cards purchased for customer use. Cards purchased were given to Fiscal staff responsible for issuing the cards. Staff responsible for inventory control of the cards was unaware of the purchase until the month end inventory was performed.

Control over the receipt and issuance of the gasoline and telephone cards can be improved by having the staff purchasing the cards inform inventory control staff when purchases are made.

WE RECOMMEND Osceola County FIA require staff purchasing the gasoline and telephone cards to inform inventory control staff of the purchase of the cards.

State Emergency Relief

Lack of Authorizing Signatures

8. Osceola County FIA Family Independence Specialists/Eligibility Specialists were not submitting properly authorized payment documents (screen printouts or FIA-849's) for State Emergency Relief (SER) payments to staff reconciling the FIA849, 93A Issuance Report (ES440). Review of the November 2001 ES440 Report disclosed twenty-one of fifty-four payment authorization documents that were not signed by FIS/ES staff.

Requiring the worker to sign the FIA-849 helps ensure that payments are accurate and appropriate.

WE RECOMMEND Osceola County FIA require the Family Independence/Eligibility Specialists to sign all Authorization Invoices (FIA-849/screen printouts).

Direct Support Services

No findings in this area

Client Processing

No findings in this area.

CIS/ASSIST

Inconsistent Client Information System (CIS) Status Codes

9. Osceola County FIA had assigned Client Information System (CIS) status codes that were inconsistent with staff job responsibilities.

Administrative support and fiscal staff had been assigned “CRS” on CIS and also had ASSIST job type 360 (Registration Support Clerk). This combination would allow reception staff to register and open cases. The Family Independence Manager had been assigned “FIS” status on CIS. This status would allow the manager to process transactions for cases with no independent review of those transactions.

Assigning CIS status codes to allow staff access to transactions that are inconsistent with their job functions or responsibility increases the risk of unauthorized transactions being processed that would not be detected in a reasonable period of time.

WE RECOMMEND Osceola County FIA either change the Client Information System (CIS) status codes of the administrative support staff to Inquiry (INQ or IRG) and fiscal staff to Inquiry (INQ) status on CIS or customize their status to ensure that they do not have the capability to register and open cases.

WE ALSO RECOMMEND Osceola County FIA either change the CIS status codes of the Family Independence Manager to inquiry status on CIS (INQ), or have the independent staff who currently review the Transaction Control Report (MA010) include all supervisory transactions in their review.

ASSIST Enrollment Profile/Security Agreements

10. Osceola County FIA did not have current and accurate ASSIST Enrollment Profiles (FIA-3720) or ASSIST Security Agreements (FIA3721) on file for staff that access ASSIST.

Our review disclosed that one staff did not have an ASSIST Enrollment Profile (FIA3720) or Assist Security Agreement (FIA3721) on file. Also, nine staff had job types on the ASSIST Monthly User Listing (VB-9554) that were not reported on the forms.

CIS Security Policy L-Letter L-97-063 requires a FIA-3720 and FIA-3721 to be prepared for all new users of ASSIST and for all current users each time an enrollment change is proposed.

WE RECOMMEND Osceola County FIA review the ASSIST Enrollment Profiles (FIA-3720) to determine that correct and accurate forms are on file for all staff.

WE ALSO RECOMMEND Osceola County FIA review the ASSIST Monthly User Listing (VB-9554) to ensure that all staff have been assigned job types that are authorized.

Incompatible ASSIST Enrollment Profiles

12. Osceola County FIA had assigned ASSIST Job Profiles that were incompatible with ASSIST Job responsibilities. Three staff (Office Manager, Services Supervisor, and ITT) had been assigned 240 (ES), 270 (FIS), or 280 (FIM) job profiles along with 360 (Registration Support) or 370 (Registration Supervisor) job profiles.

Internal Control Criteria developed by the FIA states that staff should not have both the 240, 270, 280 and 360, and 370 job types. Assigning ASSIST job profiles that allows staff to open and register a case increases the risk of fraudulent case transactions.

WE RECOMMEND Osceola County FIA remove the 240, 270, 280 ASSIST job profiles from the three staff.

WE also RECOMMEND Osceola County FIA review the need for the staff to retain the 360 or 370 ASSIST job profiles.

Review of the ASSIST Security Violation Report (VB9163)

12. Osceola County FIA did not have the ASSIST Security Officer review the ASSIST Security Violation Report (VB9163) for security violations. This report is system generated each day a security violation occurs. ASSIST system security is strengthened when there is a current review of any security violations by the security officer.

WE RECOMMEND Osceola County FIA have the ASSIST Security Officer review the ASSIST Security Violation Report (VB9163).

Reconciliation of the ASSIST Security Officer's Log Report (VB9173)

13. Osceola County FIA did not reconcile the ASSIST Security Officer's Log Report (VB9173) with the ASSIST Enrollment Profile (FIA3720). Internal Control criteria for Local Offices requires a complete reconciliation of all the daily Security Officer's Log Reports (VB9173) with the ASSIST Enrollment Profile (FIA3720) signed by management or supervision. This reconciliation is to be performed by staff with ASSIST inquiry capability only, or staff that has ASSIST update capability, but is not the ASSIST Security Coordinator.

WE RECOMMEND Osceola County FIA reconcile the ASSIST Security Officer's Log Reports (VB9173) with the ASSIST Enrollment Profile (FIA3720).

IRS Information Security

No findings in this area.

Payroll and Timekeeping

No findings in this area.

Procurement Card

No findings in this area.

Contracting

No findings in this area.

State Vehicles

No findings in this area.